# General Fund Assumptions

## Revenue Assumptions:

**Revenues (overall) ...**

- will not grow at the same rate as projected expenditures throughout the planning period (2000-2004), but revenue growth will equal or exceed expenditure growth through 2001. In the planning period, revenues will increase an average 3.5% annually and expenditures will increase an average 3.8%. Between 1994 and 1998, on an actual basis, revenues increased an average 3.4% annually and expenditures increased 4.6% annually.
- are most sensitive to demand for housing and relatively insensitive to inflation. Revenue elasticity is muted most by legislative actions, including: a five-year phase-in program for lower assessed values on motor vehicles; expansion of sales tax exemptions (i.e., labor used in remodeling); and growth caps on demand transfers.

**Current property taxes ...**

- in 2000 and 2001 will grow at 8.5% and 3.5% annually, slowing to 3% annually in 2002 and 2003 and to 2.5% in 2004. No change in the taxing rate is assumed.
- relate directly to assessed valuation, which reflects the following historical budget year growth rates: 2.07% (1993), -1.53% (1994), 2.66% (1995), 1.11% (1996), 3.78% (1997), 4.52% (1998), and 4.91% (1999).
- are heavily affected in the current year by annexation activity, sharp increases in disposable income over the past two years and low interest rates. Though the local economy is expected to remain strong in the near term, it is unlikely the current rate of growth will be sustained.

**Special assessments ...**

- are from properties assessed under environmental or health-related nuisance ordinances and statutes.
- have varied widely in actual collections, from $7,000 (1991) to $155,000 (1994). Revenue for 1997 and 1998 has been deferred due to reporting modifications taking place in the County Treasurer's office. The 1999 revenue is expected to be unusually high because of a one-time "catch-up" disbursement.
- are projected to increase slightly each year, reflecting the City's increased efforts to clean up vacant properties.

**Franchise fees ...**

- for utilities as a group are projected to increase at an annual underlying average rate of 4% through 2001.
- assume normal climate and weather patterns.
- reflect a sharp increase for water and sewer fees in 1999 due the unusually warm, dry climate in the latter half of 1998, resulting in greater water usage/sales (water and sewer franchise fees are based upon activity from the previous year).

**Motor vehicle property taxes ...**

- in 1999 and 2000 are estimated based on the five year graduated reduction in assessed value that was approved by the State Legislature in April 1995. Beginning in 1996, the assessment ratio on motor vehicles has been or is being reduced from 30% to 20% by the following annual increments: 1.5%, 2%, 2%, 2%, and 2.5%. As the base becomes smaller each year the incremental reduction becomes proportionally larger. In 1996 the reduction was 5% (1.5% ÷ 30%). In 2000 the reduction is more than 11% (2.5% ÷ 22.5%). Until now, the reduction has generally been offset by growth in the appraised value of vehicles. The net impact on motor vehicle revenue after growth and changes in assessment ratios is expected to be 1% (1999) and -7% (2000).

**Local sales taxes ...**

- have grown countywide an average 5.2% annually over the past five years, and 5.6% annually since initiated in 1985.
- distributions to the City of Wichita have grown an average 4.4% annually the past five years and 4.7% annually since initiated in 1985. The City's declining ratio of taxes levied causes differences between countywide growth and the City's distribution.
- receipts are expected to mirror increases in retail sales. The WSU Center of Economic Development and Business Research (CEDBR) forecasts a growth in retail sales of 5.2% in 1999, 4% in 2000, 3% in 2001, 5% in 2002 and 2003, and 6% in 2004. Timing differences in collection periods and legislative changes explain differences between the CEDBR forecast and the budget projections.

**Gas tax revenues ...**

- assume an average 3.1% annual growth, consistent with historical trends.

# General Fund Assumptions

**State-shared revenues ...**

- come primarily from state sales tax revenue, a portion of which is set aside for distribution to local governments (called "demand transfers").
- assume a 5.3% annual growth, primarily due to the cap on LAVTR being lifted by the State legislature.

**Fines and penalties...**

- increased 38% in 1998, 14% in 1997, and 22% in 1996. The sharp increases are the result of the public safety initiative, adding 141 commissioned police officers and several Court and Law civilian support and professional staff.
- are expected to stabilize in 2000. Municipal Court Task Force recommendations are completely implemented, and the number of cases that can be processed and delinquencies collected have reached a point of saturation.

**Licenses and permits ...**

- are expected to have very little growth unless rates are reviewed and increased.
- are budgeted to increase less than 1% annually.
- increased in 1998 due to changes in alarm fees.
- will be reviewed in the fall to identify areas where increasing costs of enforcement and administration justify rate adjustments.

**Current sales and services ...**

- are assumed to grow an average 2.9% annually through the planning period (2000-2004).
- include a one-time increase in 1998 from pavement cuts, offset by an equal amount of expenditures.

**Rental income ...**

- decreases in 2001 reflect the Omnisphere closing.

**Administrative charges ...**

- are reviewed by an external accounting firm and revised annually during budget development.

**Transfers in ...**

- were reviewed during the budget process and many items have been adjusted to reflect changes in costs.
- are higher on a budgetary basis (vs. actual) because many of the transfers are designed to exactly offset certain expenses. If the actual expenditures are less than budgeted, the offsetting transfer in on the revenue side is also less.

**Interest earnings ...**

- assume a 5% return rate in the General Fund.
- are calculated based on estimates of fund balance and cash flow, assuming cash flow equal to about one-third of all revenue.

## Expenditure Assumptions:

**Expenditures (overall) ...**

- assume an annual underexpenditure (or savings) rate of 1%.
- will increase at a rate slightly greater than the rate of increase for revenues over the entire planning period.
- are significantly impacted by the loss of federal grants, which currently support a large portion of the public safety initiative. Grant support peaks in 1998 and declines sharply in 1999 and beyond.

**Personal services ...**

- represent 64% of General Fund expenditures.
- will grow 5.1% annually between 2000 and 2004 (including base wages and employer benefit contributions for pension and health insurance).
- assume annual increases for general pay adjustments.
- assume annual increases increase in health insurance, 15% annual increase in 2001 and thereafter.

**Operating transfers out ...**

- include contributions to the joint City-County operations, the Transit subsidy, Tort liability, and the local match for various grants (i.e., pubic safety).
- are generally expected to increase at 2% each year.

**All other operating expenditures ...**

- are projected to increase overall at an average annual rate of 2%, consistent with estimates from the WSU Center for Economic Development and Business Research (CEDBR) and the Congressional Budget Office.

**Fund Balance (December 31) ...**

- under the revenue and expenditure assumptions above, is shown to be at 14% and 13% of annual revenues in 1999 and 2000, 13% (2001), 12% (2002), and 9% (2003).
- will completely sustain current operating expenses, subsidies, and pending initiatives for the entire trending period.